

## Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 USIE-00 SSO-00

NSCE-00 INRE-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSAE-00 PA-01 AID-05 SS-15 ITC-01 TRSE-00

PRS-01 SP-02 FEAE-00 OMB-01 OIC-02 EA-10 /100 W

-----003273 311856Z /41

O R 311749Z AUG 77

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 781

INFO AMEMBASSY OTTAWA

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USMTN

ACTION STR FOR AMBASSADOR WOLFF AND FEKETEKUTY; ALSO  
PLEASE PASS MCNAMARA

EO 11652: NXA

TAGS: ETRD, MTN

SUBJ: CANADIAN PROPOSALS ON TARIFFS AND SECTORS

1. IMTN DEL (CULBERT AND HAMERSCHLAG) MET WITH CANADIAN  
DEL (AMBASSADOR GREY) TO CLARIFY CERTAIN POINTS IN THE  
CANADIAN PROPOSAL TRANSMITTED TO WASHINGTON IN GENEVA  
7433. GREY NOTED THE PROPOSAL INVOLVED IMPLICIT CANADIAN  
ACCEPTANCE OF THE FACT THAT A TARIFF FORMULA WOULD MOST  
PROBABLY NOT ARITHMETICALLY ENCOMPASS CANADIAN DESIRES  
IN RATES 5 PERCENT AND BELOW.

2. SECTORS. IN SAYING THAT SECTOR NEGOTIATIONS "SHOULD  
NOW BE INITIATED," CANADA MEANT IN PARALLEL WITH THE  
ADOPTION OF THE TARIFF NEGOTIATING PLAN.  
THIS WOULD NOT RULE OUT EARLIER AGREEMENT (IF FEASIBLE.)

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THE WORD "CONFERENCE" (WHICH CANADA USES THROUGHOUT  
ITS PAPER) IS DELIBERATELY FUZZY. IT COULD MEAN THE  
TNC BUT IT COULD ALSO REFER TO THE TARIFFS AND SECTOR  
GROUPS TAKING ACTION. ALTHOUGH AGREEING THERE IS SOME  
OVERLAP, CANADA BELIEVES THAT THE SECTOR PROPOSAL COULD  
NOT BE SUBSTITUTED FOR BY 7(B); THE SECTOR PROPOSAL  
COVERS MORE THAN TARIFFS. GREY STRESSED THAT 85 PERCENT OF

CANADIAN INTEREST IN EC AND JAPAN TARIFFS WOULD BE COVERED BY THE SECTOR PROPOSALS NOW ON THE TABLE, WHILE 50PERCENT OF THE CANADIAN INTEREST IN U.S. TARIFFS WOULD BE AFFECTED.

3. TARIFFS. GREY SAID INTENT OF SECTION 7(A) OF THE PROPOSAL IS A RESTATEMENT OF WHAT THE U.S. HAS ALREADY OFFERED TO DO, AND UNDERSTANDS THAT THIS WOULD BE A COMMITMENT TO NEGOTIATE, NOT REPEAT NOT A FLAT ASSURANCE THAT ALL U.S. RATES SUBJECT TO THE LOW DUTY AUTHORITY WOULD BE REDUCED. GREY MENTIONED THAT ALTHOUGH THE PROPOSAL IS COINED IN TERMS OF A U.S.-CANADIAN BILATERAL UNDERSTANDING, CANADA HOPED THAT THE U.S. COULD INCLUDE IN THE TARIFF NEGOTIATING PLAN AN MENTION OF ITS INTENTION TO NEGOTIATE DUTY ELIMINATION. THIS WOULD BE IMPORTANT PRESENTATIONALLY TO CANADA.

4. GREY SAID SECTION 7(B) OF THE CANADIAN PROPOSAL IS PRIMARILY AIMED AT THE EC AND JAPAN AND IS DESIGNED TO PUT PRESSURE ON THEM TO MOVE TOWARD ELIMINATION OF DUTIES. DISCUSSION BROUGHT OUT THAT THE HEADING TO PARAGRAPH 7 IN CANADIAN PAPER IS INACCURATE IN THAT PARAGRAPH 7(B) IS NOT REPEAT NOT INTENDED TO BE LIMITED TO RATES 5PERCENT AND BELOW BUT RATHER ANY RATE ON WHICH A FORMER COUNTRY REQUESTS DUTY ELIMINATION. (GREY CITED EXAMPLE OF SOME HIGH CANADA MFN RATES WHERE BRITISH LIMITED OFFICIAL USE

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PREFERENTIAL RATE IS ZERO.) CANADA BELIEVES THAT THE PRESENT LEVEL OF U.S. DUTY-FREE BINDINGS ON SEMI-FINISHED AND FINISHED PRODUCTS INDUSTRIAL PRODUCTS (AS DEFINED IN THE GATT TARIFF STUDY, AUGMENTED BY THE USE OF THE 5PERCENT AUTHORITY ON ITEMS OF CANADIAN INTEREST, WOULD PRODUCE A PERCENTAGE FIGURE WELL IN EXCESS OF THE PRESENT EC AND JAPANESE LEVELS. IT WOULD THUS REQUIRE THOSE PARTICIPANTS TO MAKE EXTENSIVE DUTY ELIMINATIONS. THE CANADIANS HAVE NO PARTICULAR PERCENTAGE FIGURE IN MIND BUT THOUGHT THAT THE U.S. FIGURE (AS DERIVED ABOVE) COULD SERVE AS THE BASIS FOR THE PERCENTAGE. CANADIANS WERE NOT TOO CLEAR ABOUT THE MEANING OF "PRODUCTS OF INTEREST TO OTHER PARTICIPANTS". THEIR INTENTION WAS TO AVOID A PADDING OF THE PERCENTAGE BY COUNTRIES USING COMMODITIES OF NO ACTUAL INTEREST TO THEIR NEGOTIATING PARTNERS. THE CANADIANS HAD NOT GIVEN MUCH THOUGHT TO A REQUEST LIST PROCEDURES. THEY WILL BE SHORTLY GIVING US A LIST OF THEIR INTEREST IN DUTY ELIMINATION IN THE U.S. TARIFF. CANADIAN INTEREST

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NSAE-00 PA-01 AID-05 SS-15 ITC-01 TRSE-00 PRS-01  
SP-02 FEAE-00 OMB-01 OIC-02 EA-10 STRE-00 /100 W  
-----003462 311857Z /41

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TO SECSTATE WASHDC IMMEDIATE 782  
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IN EC AND JAPAN TARIFFS ARE LARGELY DEALT WITH IN THE  
SECTOR PROPOSALS. THE PERCENTAGE TO THE ACHIEVED AT THE  
END OF THE DAY WOULD BE A COMPOSITE AND WOULD IN EFFECT  
PROVIDE THAT ALL THE MAJOR PARTICIPANTS WOULD THEN HAVE  
COMPARABLE LEVELS OF DUTY-FREE TRADE.

5. EXCEPTIONS. SECTION 8 ON EXCEPTIONS IS  
STRAIGHT FORWARD AND WAS ONLY BRIEFLY DISCUSSED. WHEN  
THE CANADIANS SPEAK OF A WEIGHTED AVERAGE BASIS THEY  
MEAN WEIGHTED BY TRADE. THE FIXED PERCENTAGE WOULD  
BE THE NET OVERALL EFFECT INCLUDING EXCEPTIONS AND  
GREATER THAN FORMULA REDUCTIONS.

6. DELEGATION COMMENTS. THE CANADIAN PROPOSAL IS  
ESSENTIALLY A RESTATEMENT OF CANADIAN OBJECTIVES,  
ACKNOWLEDGING THE REALITY THAT THESE OBJECTIVES CANNOT  
BE INCORPORATED MATHEMATICALLY IN THE TARIFF FORMULA.  
TO THAT EXTENT, IT IS A MODEST STEP FORWARD. THE CANA-  
DIANS STILL CLING TO THE SECTOR APPROACH ALTHOUGH  
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THEY HAVE HAD NO ENCOURAGEMENT FROM QUARTER, ALTHOUGH  
THEY WOULD NOT ADMIT IT, WE BELIEVE THAT SECTION 7(B)

WOULD BE THE CANADIAN FALLBACK IF THE SECTOR APPROACH FAILS. THE MAJOR DIFFICULTY WE FIND WITH THE CANADIAN PROPOSAL IS THAT IT ASSUMES THAT U.S. AND CANADIAN INTERESTS ARE THE SAME REGARDING DUTY ELIMINATION, AND PROCEEDING FROM THAT FALSE ASSUMPTION CANADA UNREALISTICALLY EXPECTS THE U.S. TO TAKE THE LEAD IN BATTLING WITH THE EC AND JAPAN ON THIS ISSUE. WE COULD FIND 7(B) EASIER TO TAKE IF THE EMPHASIS WERE ON GREATER THAN FORMULA CUTS RATHER THAN ON DUTY ELIMINATION, ALTHOUGH WE ARE DOUBTFUL ABOUT THE WISDOM OF SEEKING A FIXED PERCENTAGE. AGREEMENT ON A DEPTH OF CUT GREATER THAN THE FORMULA COULD SET A TARGET. THE SECTION ON EXCEPTIONS IS LESS TROUBLESOME AND CONTAINS IDEAS WHICH ARE ALREADY UNDER DISCUSSION IN WASHINGTON. CULBERT

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## Message Attributes

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**Original Handling Restrictions:** n/a  
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**Secure:** OPEN  
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**To:** STATE  
**Type:** TE  
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